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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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February 4, 2010

To: Supervisor Gloria Molina, Chair
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Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

SACRAMENTO UPDATE

This memorandum contains information on: Assembly and Senate budget hearings to address the State's fiscal condition and some of the Governor's Budget proposals; two pursuits of position related to State reimbursement of property tax revenue losses resulting from the wildfires of August 2009, and the Senate Omnibus bill containing four County-sponsored proposals to address change orders on construction contracts; an update on three County-advocacy bills related to: 1) extending Foster Care and Kinship Guardianship Assistance Program services to youth up to 21 years of age; 2) reinstating California's law banning the possession or use of body armor by violent felons; and 3) deleting language which would have authorized the South Coast Air Quality Management District to issue permits to essential public services and previously exempt businesses; and information on a legislative hearing related to the public health effects of climate change.

Assembly and Senate Budget Hearings

On February 3, 2010, the Assembly Budget Committee heard testimony from State Controller John Chiang, Legislative Analyst Mac Taylor, and a representative from the Department of Finance on the State's deteriorating fiscal condition. State Controller Chiang urged lawmakers to enact an on-time State Budget with credible and sustainable solutions, or run the risk of facing multi-billion dollar deficits and the potential issuance of registered warrants (IOUs) in the coming months. The Controller

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also presented three options for the Legislature to consider to address part of the State's fiscal crisis:

- Resolve the entire \$6.6 billion current year budget shortfall;
- Borrow money to address the short-term cash crisis in April; and
- Reschedule certain State payments which are due in the month of March.

The Department of Finance (DOF) representative indicated that DOF is requesting the Legislature to adopt language which would provide the State with authority to defer payments when the State is running low on cash. The Legislative Analyst and Committee members were highly critical of the proposal citing the authority would give the Administration too much discretion over spending decisions without legislative approval.

The Senate Budget and Fiscal Review Committee also held a hearing yesterday to discuss some of the Governor's Budget proposals and explore revenue-raising options including:

- Collection of admissions fees by the California Science Center;
- Generation of fine and fee revenue through expanded utilization of automated speed enforcement systems (\$397.5 million);
- Savings from the transfer of wards over the age of 18 to State prisons and by lowering the maximum age of jurisdiction from 25 to 21 (\$48 million);
- Savings in inmate medical care expenditures in the Department of Corrections (\$811 million); and
- Transfer of tribal gaming compact revenues to the State General Fund (\$95 million).

The Committee also discussed other alternatives such as: 1) tax increases (oil severance, sales tax, alcohol tax, cigarette tax, and fuel tax); 2) phasing out enterprise zone subsidies (\$400 million); 3) elimination of employer-provided life insurance (\$105 million); and 4) elimination of the exemption for employer-provided parking (\$100 million).

Pursuit of County Position on Legislation

AB 1662 (Portantino), as introduced on January 19, 2010, would provide State reimbursement for property tax revenue losses resulting from the wildfires that started August 2009 in Los Angeles County.

Existing law authorizes a county board of supervisors to provide by ordinance for the reassessment of property that is damaged or destroyed by a major misfortune or calamity upon action by the county assessor and approval by the board. Additionally, current law provides for the continuing appropriation of funds to the Special Fund for Economic Uncertainties for purposes of funding these allocations.

The Assessor's Office indicates that AB 1662 is consistent with prior legislation introduced whenever the Governor declares a disaster area within a county and enables the State to reimburse counties for the loss of property tax revenues resulting from misfortune and calamity claims. AB 1662 would also facilitate the allocation of funds to reimburse the County for the loss of property tax revenues due to the natural disaster of 2009.

The Assessor, Auditor-Controller, Treasurer and Tax Collector and this office support AB 1662. Support for AB 1662 is consistent with positions taken by your Board after natural disasters, which appropriated money from the Special Fund for Economic Uncertainty to reimburse local governments for their loss of revenues caused by various disasters. **Therefore, the Sacramento advocates will support AB 1662.**

Support and opposition to AB 1662 is currently unknown. This bill is currently in the Assembly Revenue and Taxation and Local Government Committees, where it awaits a hearing date. AB 1662 contains an emergency clause and would become effective immediately upon the Governor's signature.

SB 894 (Senate Local Government Committee), as introduced on January 25, 2010, is an omnibus bill that would make a number of minor, non-controversial changes to laws affecting the powers and duties of local agencies which have been proposed by local officials. Each item in the omnibus bill is extensively vetted and, if there is an objection, the item is removed from the legislation.

SB 894 contains four County-sponsored proposals related to change orders on County construction contracts, as reported in the October 30, 2009 Sacramento Update. Specifically, these County-sponsored items would: 1) raise the limit on change orders for public works contracts in excess of \$250,000 that county supervisors may delegate to county officials from \$150,000 to \$210,000; 2) authorize a county board of supervisors to delegate authority to approve change orders on county bridge and subway construction contracts to county officers up to \$210,000; 3) authorize a county board of supervisors, acting as a county waterworks district's governing board, to delegate to the district manager or other district official the authority to approve change orders on construction contracts up to \$210,000; and 4) allow the Los Angeles County Board of Supervisors to delegate to the Los Angeles County Flood Control District's

chief engineer or other District officer the authority to approve change orders on construction contracts up to \$210,000.

The maximum amount of change order delegation authority for contracts worth \$50,000 or less remains at \$5,000, and the maximum amount for contracts worth between \$50,000 and \$250,000 remains at \$25,000. The rest of the provisions contained in SB 894 do not affect the County. Because this measure contains four County-sponsored proposals, **the Sacramento advocates will support SB 894.**

Support and opposition to SB 894 is currently unknown. This measure is currently at the Senate Desk awaiting referral to a policy committee.

Status of County-Advocacy Legislation

County-support in concept AB 12 (Beall), which as amended on January 25, 2010, would allow California to enact the State option to use Federal Title IV-E funds to extend Foster Care and Kinship Guardianship Assistance Program (Kin-GAP) services to youth up to 21 years of age, passed the Assembly on January 27, 2010 by a vote of 72 to 0, and now proceeds to the Senate.

As reported to your Board on September 18, 2009, AB 12 was held on the Assembly Appropriations Suspense File due to increased estimated State General Fund costs ranging from \$30 million to \$40 million in FY 2010-11 and up to \$100 million in FY 2013-14. Additionally, on July 28, 2009 the Governor vetoed \$80 million in statewide funding for Child Welfare Administration, including \$19 million for the Title IV-E Capped Allocation Waiver. These actions precluded the Legislature from considering any expansion of Foster Care and Kin-GAP in 2009.

AB 12 was extensively amended on January 25, 2010. This office, the Department of Children and Family Services and County Counsel are reviewing the January 25, 2010 amendments to determine the impact on the County, and will provide your Board with a report and recommendations in a separate Sacramento Update.

County-supported SB 408 (Padilla), which as amended on January 26, 2010, would reinstate California's law banning the possession or use of body armor by violent felons, passed out of the Senate on January 28, 2010 by a vote of 35 to 0. The bill now proceeds to the Assembly.

County-supported SB 450 (Lowenthal), which would have authorized the South Coast Air Quality Management District (SCAQMD) to issue permits to essential public services and previously exempt businesses, notwithstanding the court decision in

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Natural Resources Defense Council v. SCAQMD, and would have allowed the permitting and issuance of emission reduction credits for electric utility steam boiler replacements, was amended on January 28, 2010. The amendments delete the prior version of the bill and instead authorize the Superintendent to approve funding for the Long Beach Unified School District for the 2009-10, 2010-11, and 2011-12 school years for a class size reduction programs. **Therefore, the Sacramento advocates will remove support for SB 450 and take no position on this measure.**

Legislative Hearing on the Public Health Effects of Climate Change

On February 9, 2010, the Senate Environmental Quality Committee will host a legislative hearing on the public health effects of climate change. According to a Committee report, climate changes will have profound effects on the public health infrastructure by allowing new diseases and health threats to enter the State, it would allow foreign tropical plants, animals and diseases to survive, and negatively affect the health system in the State. Speakers from the Centers for Disease Control and Prevention, the State Department of Health Services, and the National Conference of State Legislatures will address the challenges to the public health system from global warming at the hearing. Among the topics to be addressed are the possible adaptation strategies that the State can undertake to ensure its health system continues to protect the public from the effects of global warming.

We will continue to keep you advised.

WTF:RA
MR:IGEA:sb

c: All Department Heads
Legislative Strategist
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